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9 NOV 1966

MEMORANDUM FOR: The Honorable Dean Rusk
The Secretary of State

SUBJECT : Activities of Communist Countries in
the World Wheat Market During
October

I have attached our analysis of Communist activities
in the world wheat market. While Communist China's pur-
chases were the major development, our paper also covers
the latest activities of the USSR and Eastern European
countries.

/s/ Richard Helms

Richard Helms
Director

Attachment:
Subject paper

CONCUR:

8 NOV 1966

R. J. SMITH
Deputy Director for Intelligence

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Activities of Communist Countries in the
World Wheat Market During October

During October, the major Communist activity in the world wheat market was Communist China's purchase of 1.5 million tons of Australian wheat at a cost of about US \$100 million. The contract calls for delivery by June 1967 and includes an option for the purchase of an additional 150,000 tons. To date, known purchases of wheat by Communist countries for delivery during the consumption year 1966/67 (July-June) total almost 11 million tons. Additional purchases may boost this to some 15 million tons (see table).

The Chinese have purchased nearly 5 million tons of wheat from the Free World for 1966/67 delivery* to date, compared with an annual average for recent years of about 6 million tons. In view of its rather unfavorable crop prospects, China may need to import more than this annual average if it is to avoid a decline in food consumption. It can do so from Canada, which has harvested a record crop, and possibly also from Argentina. The Chinese, reportedly, have indicated a willingness to buy any quantity of wheat Argentina will be able to spare.

The only known Soviet activity in the world wheat market during October was the sale of 200,000 tons of wheat to Algeria for delivery during the next three months. The Soviet Union has harvested a bumper crop, estimated at more than 65 million tons. Last spring the USSR purchased almost 4 million tons from Canada and France for delivery by July 1967. These imports, combined with the harvest, will permit the USSR to replenish its seriously depleted wheat reserves.

The East European countries have contracted for about 2 million tons of wheat from the Free World for delivery in 1966/67, or approximately half their estimated requirements from this source. Only Poland and Bulgaria were active in the Free World wheat market in October. Poland purchased between 200,000 and 300,000 tons from France, under an earlier agreement for the purchase of 500,000 tons.

* We assume that China will purchase 2.5 million tons this consumption year from Canada--that is, one third of the maximum of 7.5 million tons specified in the three-year agreement, August 1966-July 1969. To date only one actual contract has been signed, which called for delivery of 1.6 million tons by December 1966.

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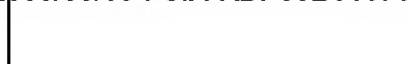
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In addition, the US authorized a second Commodity Credit Corporation loan of \$25 million to Poland, including \$17.5 million to buy 270,000 tons of wheat. Bulgaria has been negotiating for the purchase of 50,000 tons of US wheat for shipment to Brazil.

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Table

Wheat Imports by the Communist
Countries from the Free World
Consumption Years 1964/65-1966/67

Million Metric Tons				
	<u>1964/65</u>	<u>1965/66</u> <u>Preliminary</u>	<u>1966/67</u> <u>Known Purchase</u> <u>Agreements as of</u> <u>1 Nov 66</u>	<u>Estimated</u> <u>Total</u>
USSR	2.3	9.0	3.9	3.9
Communist China	5.5	6.4	4.8	6.5
Eastern Europe	5.0	4.7	2.1	4.5
Total	<u>12.8</u>	<u>20.1</u>	<u>10.8</u>	<u>14.9</u>

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